

Message Text

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ACTION NEA-10

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NSAE-00 SIL-01 DODE-00 PM-05 H-01 L-03 NSC-05
PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 TRSE-00
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AMCONSUL CLCUTTA
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EO 11652: NA
TAGS: ELAB, IN
SUBJ: LABOR: GOI CONCEDES DEMAND FOR MONTHS'S BONUS
REF: NEW DELHI 9779

1. AS PART OF ITS ANTI-INFLATIONARY PROGRAM DURING THE EMERGENCY THE INDIRA ADMINISTRATION WITHDREW THE RIGHT OF WAGE EARNERS TO A ONE MONTH MINIMUM ANNUAL BONUS AND SUBSTITUTED A PROFIT BASED BONUS FOR IT. BECAUSE OF THE METHOD OF CALCULATING THE "ALLOCABLE SURPLUS" AVAILABLE FOR BONUS, THE EFFECT WAS TO DENY MANY WORKERS THE EXTRA MONTH'S WAGES TO WHICH THEY HAD BECOME ACCUSTOMED AS A "DEFERRED WAGE" PAYABLE AT THE FALL FESTIVAL SEASON. ON AUGUST 18 THE DESAI GOVERNMENT REVERSED THIS POLICY, ORDERING THAT THE MINIMUM ONE MONTH BONUS BE RESTORED BUT FOR THIS YEAR ONLY. THE GOI ANNOUNCED THAT IT WOULD FORMULATE AN INTEGRATED POLICY ON WAGES, INCOMES, AND PRICES AND THAT THE BONUS QUESTION WOULD BE EXAMINED ANEW IN THAT CONTEXT.

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2. AS REPORTED REFTEL AND PREVIOUS MESSAGES, LABOR UNREST HAS INCREASED CONSIDERABLY WITH THE LIFTING OF THE EMERGENCY. THE DEMAND FOR THE RESTORATION OF THE MINIMUM BONUS FIGURED HEAVILY IN LABOR'S LIST OF GRIEVANCES, AND WITH THE APPROACH OF THE FALL FESTIVAL SEASON THE ENTIRE COUNTRY WAS THREATENED

WITH WORK STOPPAGES OVER THE BONUS QUESTION. FOR EXAMPLE, ALL MINES, COAL AND OTHER MINERALS, WERE TO BE CLOSED DOWN ON SEPTEMBER 5. THE GOI'S DECISION, MAKING GOOD A CAMPAIGN PROMISE OF THE JANATA PARTY, SHOULD CONSIDERABLY DEFUSE THE SITUATION.

3. OTHER ELEMENTS OF THE NEW BONUS POLICY INCLUDE: PROVISION FOR LABOR AND MANAGEMENT TO NEGOTIATE A BONUS PAYMENT GREATER THAN ONE MONTH'S WAGES (8 1/3 PERCENT) BUT NOT MORE THAN 20 PERCENT; BANKING EMPLOYEES AND "NON-COMPETITIVE" PUBLIC SECTOR EMPLOYEES (E.G., PORT WORKERS) ARE TO RECEIVE THE BONUS; AND EXEMPTION FROM PAYMENT MAY BE GRANTED TO "SICK" ENTERPRISES. RAILROAD, POSTAL AND TELECOM-MUNICATIONS, AND INSURANCE EMPLOYEES ARE NOT COVERED BY THE NEW POLICY.

4. THE DELAY IN THE GOI'S DECISION WAS PRESUMABLY DUE TO THE CONCERN WITHIN THE CABINET OVER ITS INFLATIONARY EFFECTS. THE "INDIAN EXPRESS" AUGUST 19 REPORTED THAT THE PM AND FINANCE MINISTER OPPOSED THE BONUS ON THAT GROUND, WHILE THE LABOR AND INDUSTRY MINISTERS ADVOCATED THE PAYMENT. BRIEFING THE PRESS, LABOR MINISTER VARMA SAID THAT THE BONUS WOULD REQUIRE PAYMENT OF 2,500 MILLION RUPEES. IN JULY THE GOI AGREED TO A CASH REFUND OF IMPOUNDED COST OF LIMITED OFFICIAL USE

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LIVING ALLOWANCE MONIES (PREVIOUSLY IT HAD SOUGHT TO TRANSFER THE REFUND HQ THE RETIREMENT FUND). THIS DECISION WAS EXPECTED TO RELEASE AN ADDITIONAL 3,260 MILLION RUPEES INTO CIRCULATION. ANNOUNCING THE NEW BONUS POLICY, THE GOI PLEADED WITH WORKERS TO INVEST A "FAIR PROPORTION" OF THEIR BONUS AND COST OF LIVING ALLOWANCE REFUND IN NATIONAL DEVELOPMENT BONDS, WHICH ARE TO BE ISSUED. (COMMENT: GIVEN WHAT WE BELIEVE IS A HIGH MARGINAL PROPENSITY TO CONSUME ON THE PART OF MOST WAGE EARNERS, WE BELIEVE THAT THE NEW BOND ISSUE WILL HAVE MINIMAL EFFECT IN COUNTERING THE INFLATIONARY IMPACT OF THESE NEW PAYMENTS.)
GOHEEN

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Message Attributes

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Copy: SINGLE
Sent Date: 19-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Disposition History: n/a
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